

BIC

| Consumer, Brands & Retail
 | HPC

NEUTRAL

Fair Value EUR90(+33%)
Share price EUR68.75
EPS 3Y Cagr NM

BIC reiterates FY19 targets despite another sales and margin miss in Q2

Q2 sales missed CS expectations further to a -1.3% LFL

In Q2, sales remained almost flat at EUR544.8m (+0.2% reported), shy of CS forecasts (EUR553.5m) given a lower-than-expected LFL growth, which remained negative (-1.3% vs. -2% in Q1) whilst the CS was expecting a flattish performance (+0.1%). BIC enjoyed a FX tailwind of 2.4pp as in Q1. Last but not least, the perimeter impact was negative by 1pp, as the divestiture of BIC Sport has more than offset the integration of HACO.

All three categories reported negative LFL in Q2

Sales in **Stationery** remained in the negative territory with -2.3% LFL vs. -5.8% in Q1 as emerging markets have significantly weighed on the Q2 performance (DD decline at Cello Pens in India), which have more than offset by slight increases in Europe and North America. With -0.1%, the momentum in **Lighters** was clearly less adverse than in Q1 (-5.5% LFL) that was affected by a negative phasing effect since wholesalers have anticipated price hikes in Q1 2019. Sales in **Shavers** contracted by 0.7% after an strong momentum in Q1 (+10%) driven by product launches in Europe (+10%) and North America (DD increase).

NIFO margin dropped by 270bp to 18.1% (CS: 18.9%e)

GM contracted by 310bp (Q1: -290bp) given negative FX/raw material impacts, on top of an unfavourable volume absorption. As guided by management, BIC stepped up brand support (+100bp and +120pb in H1), which was only partly mitigated by a tight opex cost control (other opex declining by 40bp). As a consequence, the **NIFO margin** dropped by 270bp to 18.1b% and missed CS expectations (18.9%e).

FY19 outlook confirmed, implying a recovery in H2

Ahead of the conference call today, BIC reiterates FY19 targets:

- Slight LFL sales growth (CS: +1%e) We recall that the comparison base in Q2 was relatively easy (Q2 2018: -2.3% LFL), but it gets tougher in H2 (+5.3% LFL).
- **NIFO margin** would end up within the range of 16.5% to 18% vs. 18.1% in FY18 (CS: 16.8%e), as BIC expects the margin pressures (raw mat/FX impacts, higher brand support) to continue to weigh on profitability throughout the second half of the year.

Market Data

Bloomberg / Reuters	BB FP/BICP.PA
Market Cap.	EUR3,162m
E.V.	EUR3.046m
Free Float	55,3%
Avg. Daily volume (6m)	124.0
12m high / low	EUR97.5 / EUR65.0
Ytd Perf.	-22.9%

EURM	12/18	12/19e	12/20e	12/20e
Sales	1,950	1,986	2,038	
% Change		1.8%	2.6%	
EBITDA	351.8	430.7	445.1	
% Change		22.4%	3.3%	
EBIT	258.8	337.3	349.3	
% Change		30.4%	3.5%	
Net Income	173.3	242.9	255.1	
% Change		40.1%	5.0%	
ROE	0.16	0.14	0.13	

	12/18	12/19e	12/20e	12/20e
EV/Sales	1.6x	1.5x	1.5x	
EV/EBITDA	8.7x	7.1x	6.9x	
EV/EBIT	11.8x	9.1x	8.7x	
EPS	5.87	5.45	5.72	
% change		-7.1%	5.0%	
P/E	11.7x	12.6x	12.0x	
Div Yield	5.0%	5.0%	5.0%	

Next Catalyst: Conference call today at 4pm (CET)

Last FV Change:

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Last Reports:

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